

**TOWN OF SARDINIA FIREFIGHTER SERVICE AWARD PROGRAM
STATEMENT REGARDING COSTS**

TOTAL COST TO DATE:

2009 Contribution:	\$ 97,200.98
2010 Contribution	\$246,120.46
2011 Contribution	\$102,917.00
ACTUAL TOTAL COST TO DATE	\$446,238.44

Source: Affordable Benefit Asset Reconciliation Reports and Hometown Report on amounts due for 2011.

The Town elected to fully fund the 5-year service credit because it was being charged 5% interest to pay this over time, and was earning less than 2% on its reserve funds. Affordable Benefits made a \$200,000 error in calculating the amount owed, and as reported at the December 2010 Board Meeting, the Town received a refund due to this error. This \$200,000 refund is not reflected in the numbers above.

HISTORY OF INCREASING COSTS

The estimated annual cost disclosed to the taxpayers in the Referendum was \$97,522.30, including insurance. This \$97,522 was composed of three numbers:

- The amount needed to fund the five-year credit given to the current firefighters and the unfunded costs of paying benefits to firefighters who were already 65 and receiving benefits. This is called the unfunded liability, and the taxpayers were told that this would be paid over ten years and that after that; the cost of the program would decrease substantially.
- The amount needed to fund the benefits earned during the year
- The cost of insurance

The Town has no records prior to 2010 showing how Affordable Benefits calculated the \$97,522 disclosed to the taxpayers in the Referendum, including how this amount was divided among these three categories.

In 2010, the Town received a report from Affordable Benefits, stating that the annual cost for the unfunded liability was \$59,992 and the cost of funding the benefits earned each year would be \$24,797.

The Town paid the unfunded liability in 2010, and expected the annual costs in 2011 would be approximately \$24,797—the amount previously projected to be needed to fund the annual benefits.

The actual costs have turned out to be much higher. In February 2011, Hometown notified the Town that its annual contribution for 2001 would be \$102,917.

Hometown reported that this contribution of \$102,917 was required because the plan had incurred an additional unfunded liability of \$42,549, and the cost to fund annual benefits was now estimated at \$60,368 a year— or more than double the \$24,797 previously estimated by Affordable Benefits. Hometown expects that these annual costs will increase 5% per year as more firefighters reach age 65 and begin to collect.